

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF NORTH)	
SHELBY WATER COMPANY FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	
NECESSITY TO CONSTRUCT, FINANCE, AND)	CASE NO.
INCREASE RATES PURSUANT TO THE)	2016-00216
PROVISIONS OF KRS 278.020 AND KRS)	
278.023)	

ORDER

North Shelby Water District (“North Shelby”) has applied to the Commission for a certificate of Public Convenience and Necessity (“CPCN”) to construct a water improvement project, for approval of its plan to finance the proposed project, and for an increase in water rates. North Shelby’s application met the minimum filing requirements on August 24, 2016.

This project consists of approximately 48,150 feet of 12-inch PVC transmission line, approximately 9,200 feet of 6-inch PVC water line, renovation of the 200,000-gallon elevated water storage tank in the Jacksonville community, replacement of the existing 251,000-gallon standpipe with a 400,000-gallon elevated water storage tank in the Todds Point community, and installation of a booster pump station at West Middle School to replace an obsolete pump station in the Todds Point community.¹

Construction costs, based on the bids received by North Shelby on June 17, 2016, are \$955,120.00 for Contract 1, \$912,000.00 for Contract 2, and \$287,774.00 for

¹ Application at 1–2

Contract 3 for total construction costs of \$2,154,894.00.² The total project cost, including costs for administrative, legal, engineering, interest, construction, and contingencies, is \$3,555,000.³

North Shelby proposes to finance the proposed construction with the a loan from the United States Department of Agriculture (“USDA”) Rural Development (“RD”) in the amount of \$3,550,000 amortized over a 40-year period at an interest rate equal to the lower of the rate in effect at the time of loan approval or the rate in effect at the time of closing.⁴ The interest rate in effect at the time of loan approval was 3.125 percent per annum; therefore, the interest rate is not to exceed 3.125 percent per annum.⁵

North Shelby has submitted its application pursuant to KRS 278.023. KRS 278.023 requires the Commission to accept agreements between water districts and RD regarding construction projects, and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements.

KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of the agreement between RD and North Shelby, or to defer the issuance of all necessary orders to implement the terms of that agreement. It further denies the Commission any authority to reject an application when the evidence of record indicates that a water district’s proposed facilities will result in the wasteful

² *Id.*, Exhibit 3. Bid tabulation states \$287,774.00 for Contract 3. Final project budget estimate states \$287,744.00 for Contract 3 and total construction of \$2,154,864.00. Bid tabulation numbers add up to \$2,154,894.00.

³ *Id.*

⁴ Application at 2.

⁵ Supplemental Information (Sept. 12, 2016) at 1.

duplication of facilities or excessive investment or its proposed rates are unfair, unjust, or unreasonable. The Commission, therefore, is not able to review this application using the same standards that are used for applications that are not filed pursuant to KRS 278.023.

IT IS THEREFORE ORDERED that:

1. North Shelby is granted a CPCN for the proposed construction as set forth in its application.

2. North Shelby's proposed plan of financing is approved.

3. North Shelby is authorized to issue \$3,550,000 of its water system revenue bonds maturing over 40 years at an interest rate not exceeding the lower of 3.125 percent per annum or the interest rate in effect at the time of loan closing.

4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in North Shelby's application.

5. North Shelby shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

6. Notwithstanding ordering paragraphs 4 and 5, if surplus funds remain after the approved construction has been completed, North Shelby may use such surplus to construct additional plant facilities if RD approves of the use and the additional construction will not result in a change in North Shelby's rates for service. North Shelby shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

7. North Shelby shall file with the Commission documentation of the total costs of this project, including the cost of construction and all other capitalized costs

(e.g., engineering, legal, and administrative), within 60 days of the date that construction is substantially completed. Construction cost shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

8. North Shelby shall file a copy of the “as-built” drawings and a certified statement from the engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

9. North Shelby shall require construction to be inspected under the general supervision of a licensed professional engineer with a Kentucky registration in civil or mechanical engineering to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

10. North Shelby shall notify the Commission in writing one week prior to the actual start of construction and at the 50 percent completion point.

11. The rates set forth in the Appendix to this Order are approved for service that North Shelby renders on and after the date of this Order.

12. Within 20 days of the date of this Order, North Shelby shall file revised tariff sheets with the Commission, using the Commission's electronic Tariff Filing System, containing the rates set forth in the Appendix to this Order.

13. Any documents filed in the future pursuant to ordering paragraphs 6, 7, 8, and 10 of this Order shall reference this case number and shall be retained in North Shelby's general correspondence file.

14. The Executive Director is delegated authority to grant reasonable extensions of time for the filing of any documents required by this Order upon North Shelby's showing of good cause for such extension.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

By the Commission

ENTERED
SEP 22 2016
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2016-00216 DATED **SEP 22 2016**

The following rates and charges are prescribed for the customers in the area formerly served by North Shelby Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Water Monthly Rates

5/8-Inch x 3/4-Inch Meter

First	2,000 Gallons	\$ 20.63	Minimum Bill
Next	3,000 Gallons	7.17	per 1,000 Gallons
Next	5,000 Gallons	5.79	per 1,000 Gallons
Next	40,000 Gallons	5.10	per 1,000 Gallons
Over	50,000 Gallons	4.42	per 1,000 Gallons

1-Inch Meter

First	5,000 Gallons	\$ 42.14	Minimum Bill
Next	5,000 Gallons	5.79	per 1,000 Gallons
Next	40,000 Gallons	5.10	per 1,000 Gallons
Over	50,000 Gallons	4.42	per 1,000 Gallons

1 1/2-Inch Meter

First	10,000 Gallons	\$ 71.09	Minimum Bill
Next	40,000 Gallons	5.10	per 1,000 Gallons
Over	50,000 Gallons	4.42	per 1,000 Gallons

2-Inch Meter

First	15,000 Gallons	\$ 96.59	Minimum Bill
Next	35,000 Gallons	5.10	per 1,000 Gallons
Over	50,000 Gallons	4.42	per 1,000 Gallons

3-Inch Meter

First	35,000 Gallons	\$198.59	Minimum Bill
Next	15,000 Gallons	5.10	per 1,000 Gallons
Over	50,000 Gallons	4.42	per 1,000 Gallons

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